FILE COPY

Office-Supreme Court, U.S.
FILED
JUN 10 1960
JAMES R. BROWNING, Clerk

IN THE

Supreme Court of the United States

OCTOBER TERM, 1959

No. 926

HARTLEY PEN COMPANY,

Petitioner,

vs.

FORMULABS, INC., and E. I. DU PONT DE NEMOURS & COMPANY,

Respondents.

Petitioner's Brief in Reply to Respondent Formulabs' Brief in Opposition to Petition for Writ of Certiorari.

OWEN A. BARTLETT, and
A. V. FALCONE,
416 West Eighth Street,
Los Angeles 14, California,
Attorneys for Petitioner Hartley Pen Company.

Parker & Son, Inc., Law Printers, Los Angeles. Phone MA. 6-9171.

SUBJECT INDEX

PAGE

Preface 1

Respondent's brief in opposition to petitioner's petition for writ of certiorari 2

Preface 2

1. Its "Questions Presented" (pp. 2-3) 3

2. Its "Statement of the Case" (p. 3) 4

3. Respondent's position (pp. 3-4) 4

4. Its "Argument" (pp. 4-21) 4

Petitioner's general reply to respondent's brief 13

Conclusion 15

TABLE OF AUTHORITIES CITED

CASES — PAGE

Chandler v. Brandtjen, Inc., 296 U. S. 53 8
Dowdy v. Hawfield, 189 F. 2d 637, cert. den. 324 U. S. 803 ..... 7, 13
Kaufman v. Societe Internationale, 188 F. 2d 1017 ..... 7, 13
Kelley v. Summers, 210 F. 2d 665 ..... 7, 13
Krippendorf v. Hyde, 110 U. S. 76 7
O'Choa v. Hernandez, 230 U. S. 139 11
Peckham v. Ronrico Corp., 211 F. 2d 727 ..... 7, 13
Pure Oil Co. v. Ross, 170 F. 2d 651 ..... 7, 12
Schurtz v. Foster & Kleiser, 29 Fed. Supp. 162 14

RULES

Rules of the United States Supreme Court, Rule 19(1)(b) 7
~~Rules of the United States Supreme Court~~ FRCP [redacted] Rule 24 ..... 2, 5, 8
Rules of the United States Supreme Court, Rule 24, par. 4 1
~~Rules of the United States Supreme Court~~ FRCP Rule 24(a) 5, 12
~~Rules of the United States Supreme Court~~ FRCP Rule 24(a)(2) 4, 14
~~Rules of the United States Supreme Court~~ FRCP Rule 24(a)(3) 2, 3, 4, 5, 6, 7, 8, 11, 12, 14
~~Rules of the United States Supreme Court~~ FRCP Rule 24(c) 3, 5, 6, 11, 12, 14

STATUTES

California Constitution, Art. I, Sec. 13 9
United States Constitution, Fifth Amendment 9
United States Constitution, Fourteenth Amendment 9

TEXTBOOKS

2 Barron & Holtzoff, Federal Practice and Procedure, Sec. 603, p. 233, n. 99 14
4 Moore's Federal Practice, Sec. 24.14, p. 110, n. 1 14

IN THE

Supreme Court of the United States

OCTOBER TERM, 1959

No. 926.

HARTLEY PEN COMPANY,

Petitioner,

vs.

FORMULABS, INC., and E. I. DU PONT DE NEMOURS & COMPANY,

Respondents.

Petitioner's Brief in Reply to Respondent Formulabs' Brief in Opposition to Petition for Writ of Certiorari.

Preface.

A copy of respondent Formulabs' (hereinafter referred to as respondent) brief in opposition to petitioner's petition for writ of certiorari in the above proceeding was received by mail by petitioner's attorneys on Saturday, June 4, 1960, actually first seen by them on Monday, June 6, 1960 and election day on June 7, prevented preparation of the reply until June 8, 1960.

Petitioner respectfully requests this Court's consideration of this reply brief under this Court's Rule 24, paragraph 4.

This case, and the issues involved on this appeal, are so important that respondent has seriously contended that if it were not permitted to intervene, as a matter of right, under Rule 24(a)(3), as it has been permitted to intervene by the Court of Appeals, it would be denied due process; on the other hand, petitioner most seriously contends that it stands to have its meritorious cause of action jeopardized or destroyed if respondent's intervention is permitted to stand, under the circumstances and upon the record in this case, an intervention which conflicts with a long established line of decisions of the various Courts of Appeals and this Court and which constitutes a disregard of the provisions of Rule 24, considered as a whole, and a marked departure from the accepted and usual course of judicial proceedings.

Respondent's Brief in Opposition to Petitioner's Petition for Writ of Certiorari.

Preface.

Respondent did not answer petitioner's petition for writ of certiorari.

Its brief contains general statements, most, if not all, of which were its mere *ipse dixit*. It did not cite authorities in its support (except, impliedly, of course, the decision of the Court of Appeals).

Respondent did not reply to petitioner's serious contentions as to the issues and questions involved, generally including the contract between them, respondent's intervention proceedings and the construction of Rule 24, and more particularly including respondent's right to intervene *upon the record before the Court*, the construction of Rule 24, particularly 24(a)(3), and the necessary

inclusion of Rule 24(c); that the discovery orders made by the District Court did not come within Rule 24(a)(3); that the disclosure orders did not come within the said contract; that respondent's cross-complaint did not state a cause of action or any cause for intervention; that in reversing the District Court's order denying intervention and thereby allowing intervention, *upon the record before it*, the Court of Appeals necessarily construed the contract between petitioner and respondent and determined its effect without affording petitioner the right to properly and fully litigate it upon its merits; that in permitting respondent to intervene it was opening the door to permitting it to thereby litigate a completely separate controversy between itself and petitioner alone, thereby conflicting with the various decisions of this Court and the various Courts of Appeals, cited and discussed by petitioner.

A succinct consideration of respondent's opposing brief follows:

1. Its "Questions Presented" (pp. 2-3).

Respondent stated that "petitioner confuses the matter" because although only one issue was involved (*i.e.*, respondent's right to intervene, as of right, under Rule 24(a)(3), *under the record in this case*), petitioner stated that it was difficult for it to adequately epitomize the questions because of their multiple and complex phases, the voluminous record involved and "the *unprecedented* manner in which intervention was obtained in this case."

The significance of this statement is not clear to petitioner.

2. Its "Statement of the Case" (p. 3).

It stated that it accepted the Court of Appeals' statement of facts.

3. Respondent's Position (pp. 3-4).

The substance of its position, stated in five paragraphs, was that Rule 24(a)(3) permitted intervention when the applicant is "so situated as to be adversely affected by the disposition of property subject to the control of the Court," which begged the various questions involved (and which were listed and discussed by petitioner); that the decision of the Court of Appeals was correct; that although it decided "an important question of federal law," it correctly interpreted Rule 24(a)(3); that to deny the right to intervene to protect one's property "from destruction under the processes of the court is to deny due process of law"; that petitioner failed to present any special or important reasons justifying the consideration of this Court.

4. Its "Argument" (pp. 4-21).

It contained five points:

POINT 1 (pp. 4-7).

The substance of its contentions hereunder was that it "holds a proprietary interest in the trade secret in question" (p. 5); that compliance with the disclosure orders "would have effected the loss of the secrecy of the . . . trade secret" (p. 6), for which respondent had a right to intervene under Rule 24(a)(3) which, unlike Rule 24(a)(2), did not mention a "judgment."

Respondent's position was, in effect, that it had the right to intervene *ipso facto*, by virtue only of its interest

in the said trade secret regardless of all other established requirements for intervention and regardless of the provisions of Rule 24; extended, its contentions were, that if necessary Rule 24(a)(3) should be so construed as to permit it to intervene upon the record in this case.

Respondent completely evaded considering petitioner's substantial argument regarding its rights in the trade secret covered by the contract between them (as well as its rights to the other formulas and tests which were not at all limited by the contract), its rights in the contract, the limited scope and application of the contract, the fact that the discovery orders were not within the provisions of the contract, the fact that the contract related to only *one* formula, whereas the discovery orders related to several.

It also completely evaded considering petitioner's substantial argument regarding respondent's proceedings to intervene, its motion and unprecedented cross-complaint, which did not state a cause of action or a good claim upon which relief could be granted, which was required, for all interventions, under all parts of Rule 24.

It also completely evaded considering petitioner's substantial argument that Rule 24(c) was an integral part of Rule 24(a) and had to be complied with in order to entitle intervention, in any event, under Rule 24(a)(3). Both respondent and the Court of Appeals disregarded Rule 24(c).

Respondent did not consider or reply to petitioner's argument that Rule 24 was an integral rule, to be construed in context, or to the decisions by the various Courts of Appeals, cited by petitioner, which unequivocally held that under Rule 24(a)(3) the applicant for intervention

must have such an interest in the subject matter of the main action as to gain or lose by the direct legal operation of the judgment.

Respondent stated (p. 6) that it was contended in the District Court that intervention was not available to respondent because petitioner's property would not be disposed of by a judgment but by an interlocutory order. This is not correct. The contentions made in the District Court were fully and correctly stated in petitioner's petition for writ of certiorari (particularly pp. 17-22). The opposition by petitioner, as well as du Pont, to respondent's attempt to intervene, as stated in petitioner's petition, was not only that a judgment was not involved but that the discovery orders did not "dispose" or "distribute" "property" which was "subject to the control or disposition of the Court," within the meaning of Rule 24(a)(3) and further (and *crucially*), that respondent had not brought itself within Rule 24(a)(3), including its failure to comply with Rule 24(c).

POINT 2. (pp. 7-14).

The crux of respondent's contentions hereunder was that the decision of the Court of Appeals was correct. Respondent conceded that this case is "one of first impression with regard to FRCP 24(a)(3)."

Respondent did not consider or reply to petitioner's argument in this regard, or regarding the decisions of the Courts of Appeals, noted *infra*, construing Rule 24(a)(3), and this Court's decision, noted *infra*, as to the scope and basis for intervention, all cited and considered by petitioner in its petition.

Rather than reply to petitioner's petition, including its "Questions Presented" and "Reasons for Granting the

Writ," upon the merits of petitioner's contentions, respondent sought to factually distinguish the following cases, cited and considered by petitioner, and contended that since they were not on a factual parity they were not authoritative. These cases were: *Pure Oil Co. v. Ross* (7th Cir. 1948), 170 F. 2d 651; *Kaufman v. Societe Internationale* (C. A. D. C. 1951), 188 F. 2d 1017; *Dowdy v. Hawfield* (C. A. D. C. 1951), 189 F. 2d 637, cert. den. 324 U. S. 803; *Kelley v. Summers* (10th Cir. 1954), 210 F. 2d 665; *Peckham v. Ronrico Corp.* (1st C. A. 1954), 211 F. 2d 727.

This ignored the fact that the Courts' language in each of the cases unequivocally stated their construction of Rule 24(a)(3), whereas no other case or authority was cited by respondent to support its contrary construction until the Court of Appeals' decision herein.

Respondent similarly sought to factually distinguish this Court's decision in *Krippendorf v. Hyde,* 110 U. S. 76, discussed by respondent (pp. 11-13), evading the fact that the decision held that the applicant for intervention must have the requisite interest in the *subject matter* of the main action.

POINT 3 (p. 15).

Hereunder it conceded that the decision of the Court of Appeals decided an important question of federal law, which under this Court's Rule 19(1)(b) alone constituted "a sound reason for the court's taking jurisdiction of the question," but it claimed that the Court of Appeals correctly construed Rule 24(a)(3).

It stated that, as interpreted by the Court of Appeals, Rule 24(a)(3) provides:

First, a direct remedy to "the owner of a proprietary right being adversely disposed of by the process of the Court."

This patently demonstrates that this is a novel construction allegedly in order to create a new remedy where none existed before. If this be so, it would extend federal jurisdiction, which respondent already conceded was not the effect of Rule 24 (p. 13 of its brief). This implies that such owner previously had no remedy, which is not correct.

Second, that it enables the "lower court to give complete relief."

Third, that it avoids multiplicity and circuity of actions.

The second and third paragraphs clearly demonstrate that such construction of Rule 24(a)(3) would open the door in the main action to any and all controversies, which had no relation to its subject matter or issues or even some of its parties, all contrary to all the decisions of the Courts of Appeals and this Court, holding as noted in petitioner's petition (particularly p. 38) that intervention would not be permitted for the purpose of having adjudicated a controversy solely between the intervenor and one of the parties, nor to enlarge the issues tendered by and arising out of the plaintiff's complaint in the main action and that the scope of intervention was limited to the field of litigation open to the original parties.

Chandler v. Brandtjen, Inc., 296 U. S. 53.

Fourth, that an adequate remedy was provided where none existed before.

No authority was cited for this statement, which is comparable to paragraph First.

Fifth, that it carries out the purpose of the federal rules "to promote justice and to give adequate relief."

Petitioner submits that it is not the purpose of the federal rules to permit indiscriminate intervention or the use of the discovery proceedings to destroy a meritorious cause of action, particularly under the circumstances and record of this case.

It is respondent's position, and the effect of the Court of Appeals' decision, that respondent should be permitted to intervene *ipso facto* by virtue of its interest in the one formula, ignoring petitioner's interest therein and its right to use said interest to assure it the fruits therefrom. Respondent is not seeking to help petitioner (as it is its duty to do, legally and otherwise, by virtue of its contract and the relationship between them), but to destroy its case. This alone is not a rare occurrence in the law. However, to accomplish it by the unprecedented manner of respondent's intervention proceedings, particularly its cross-complaint, all emanating from discovery proceedings in the main action, under the federal rules, which respondent stated were enacted to promote justice, *is* a rare occurrence and one which peculiarly calls for this Court's protection.

POINT 4 (pp. 16-20).

Hereunder respondent contended that to deny the right to intervene to protect property from "destruction by the processes of the Court is to deny due process of law," citing the Fifth and Fourteenth Amendments of the United States Constitution and Article I, Section 13 of the California Constitution.

Respondent stated (p. 16) that it was "the original position of petitioner" that "the unauthorized disclosure of the . . . trade secret would be taking property without due process of law". This is an incomplete statement. Petitioner's position always was (and is) that there should be no disclosure for many reasons, basically because du Pont had not shown good cause therefor, and also that respondent should be permitted to *properly* participate. There has been no change in petitioner's position. Petitioner's opposition to the intervention has been only in the *way* and for the *purpose* it has been sought on the present record (see Pet. pp. 6, 18 and 32-33).

Respondent stated (p. 17) that "There can be no reasonable difference of opinion" concerning five separate statements made on said page. There is not only a reasonable difference of opinion as to the statements made in paragraphs 3, 4 and 5 thereof; but petitioner has stated in detail the factual and legal reasons, as well as the authorities, contrary thereto.

Hereunder respondent meticulously evaded considering or answering petitioner's sincere argument regarding the contract between them and the effect of the discovery orders upon the contract, particularly as to respondent's rights thereunder and its right to intervene because of it.

Hereunder respondent repeated a portion of its argument before the District Court and ignored the fact that due process was not denied to it. Petitioner contended throughout the District Court's discovery proceedings regarding disclosure orders that respondent should be given the opportunity to *properly* participate. It is petitioner's position, and it submits that it is the fundamental law, that when opportunity is given to participate in accordance with the applicable rules and procedures, then due

process is given. The violation of due process is not in making an order but in making an order without permitting proper participation. Participation must conform with appropriate proceedings.

> "Whatever else may be uncertain about the definition of 'due process', all authorities agree that it inhibits the taking of one man's property and giving it to another *contrary to settled usages and modes of procedures*, and without notice or an opportunity for a hearing."
>
> *O'Choa v. Hernandez*, 230 U. S. 139, 161.

Petitioner submits that respondent did not comply with the requisite procedure generally stated in Rule 24(c). It was given due process when it was permitted to take its intervention proceedings, to argue and submit them for decision and to have the District Court rule upon them. It failed to show it was entitled to intervene.

Due Process does not mean a favorable ruling but an opportunity to obtain a ruling (adverse or favorable).

POINT 5 (pp. 20-21).

Hereunder respondent contended that it could not deny that the question of intervention was important but it nevertheless denied that "there exists any special or important reasons justifying consideration by this Court."

Respondent's position is equivocal and unsubstantial. To justify its conclusion that, although the questions involved are important, there allegedly exists no special or important reasons for this Court to grant certiorari, it stated (p. 21) that Rule 24(a)(3) "is clear on its face. It has been interpreted by the Court of Appeals in accordance with its clear meaning."

This is not true. The construction of Rule 24(a)(3) in this case is not so simple or clear. And as noted in the petition, respondent and the Court of Appeals completely ignored Rule 24(c), which is an essential part of Rule 24(a).

But, further than that, respondent stated (p. 5) "The petitioner (See Pet. p. 2), the Court of Appeals (See Pet. App. A. p. 6), and this respondent are all in agreement that there appears to be no controlling decision which has interpreted or construed the amended subsection FRCP 24(a)(3)."

Respondent also stated (p. 7) "The present case is believed to be one of first impression with regard to FRCP 24(a)(3)." It also stated (p. 14) "As previously stated, no prior decision directly in point has been found by any party." It also stated (p. 19) "A careful search has failed to disclose an earlier case in which there has been an effort to prevent the disclosure of a trade secret by the assertion of the right to due process of law."

Under the circumstances it is submitted that the rule is not so "clear on its face" and does not have such a patently "clear meaning" as contended by respondent and as held by the Court of Appeals.

Further, it is not true that there are no decisions of the Courts of Appeals construing and applying Rule 24(a)(3). As noted, *supra*, petitioner in its petition (pp. 40-43) quoted from the following cases construing and applying Rule 24(a)(3), each of which stated that one of the bases for its application was that the intervenor must have an interest in the subject matter of the litigation of such a nature that it would gain or lose by the direct legal operation of the judgment: (*Pure Oil Co. v. Ross, supra;*

Kaufman v. Societe Internationale, supra; Dowdy v. Hawfield, supra; Kelley v. Summers, supra; Peckham v. Rourico Corp., supra.)

Petitioner's General Reply to Respondent's Brief.

As noted, respondent did not reply to the substantial contentions made by petitioner in its petition, particularly in its "Questions Presented" and "Reasons for Granting the Writ." These included respondent's right to intervene, not academically and as a general abstract proposition but (the only way that this right could or should be determined) *upon the record in this case, i.e.*, its proceedings to intervene.

The sole basis for respondent's intervention, in any event, was the contract between it and petitioner; the only means by which it could intervene was by its motion and cross-complaint.

It did not consider or reply to any of petitioner's contentions regarding the contract, including that respondent did not have exclusive right to the formula, that the discovery orders did not come within the provisions of the contract, that the discovery orders could not and did not violate the contract, that petitioner did not violate the contract because of the discovery orders because it had opposed them consistently and therefore had done neither of the two prohibitions of the contract, *i. e.*, voluntarily disclose or fail to use reasonable precaution against involuntary disclosure; that the contract, in any event, only involved one formula, whereas the disclosure orders involved several and thereby respondent was being permitted to intervene without any basis or right as to the others.

Nor did respondent consider or reply at all to petitioner's serious contentions regarding respondent's means of intervention, *i. e.*, its motion and cross-complaint, *i. e.*, that it not only did not state a good claim or defense, as required by Rule 24(c), but patently showed that it did not state a cause of action or claim *upon which relief could be granted,* which was required.

2 *Barron & Holtzoff*, §603, p. 233, n. 99;
4 *Moore's*, §24.14, p. 110, n. 1;
Schurtz v. Foster & Kleiser (D. C. Cal. 1939), 29 Fed. Supp. 162.

Nor did respondent reply to petitioner's contention that there was no precedence in fact, law, or otherwise, for permitting anyone to intervene for the purpose of requesting any Court to make an order directing a party to ignore a prior order of the same Court directing him to do certain things.

Nor did respondent reply to petitioner's argument that if Rule 24(a)(3) permitted intervention, as respondent contended, and as the Court of Appeals held, there would be no reason for Rule 24(a)(2) since the extremely limited basis for intervention under Rule 24(a)(2) would be included in the unlimited application of Rule 24(a)(3).

Nor did respondent reply to petitioner's argument that by ruling that respondent could intervene on its cross-complaint, the Court of Appeals necessarily held that the cross-complaint stated a good claim and cause of action for intervention, which could only have meant that the Court of Appeals agreed with respondent's contention that the discovery orders would breach the contract between petitioner and respondent, whereas the contract did not en-

compass the same; that in any event, this was a construction of the contract, which was not involved in the main action, a completely separate controversy, thereby determined without a trial upon its merits and without opportunity to petitioner to have the same so determined.

Conclusion.

Although it is obvious that this case is most important to petitioner and du Pont and, tenuously, important to respondent (only as to the discovery orders), the determination of the issue involved in this appeal by the determination of the various questions involved and a construction of Rule 24, as they apply to this case, will also be of general importance.

If the construction by the Court of Appeals stands, it will open the door to indiscriminate interventions and will erase all the substantive and procedural requirements, long established, for intervention in a disciplined and orderly manner.

The effect of the Court of Appeals' decision, as noted in the petition, is that *anyone* having *any* interest in *any* property (which may be involved in an action only for the limited purpose and within the limited scope of discovery proceedings) may intervene and have determined in the main action *any* collateral controversy between it and one or more, but not all, of the parties, and thereby require the trial of multiple issues and multiple cases in one action under the alleged guise of avoiding multiplicity of suits.

This construction, as specifically applied in this case, would result in the use of the federal rules to promote not only an irregularity of proceedings (in fact, inordinate

proceedings), but to procedurally promote injustice. It would permit respondent, which has prospered under its contract with petitioner, to so exclusively use its limited rights under the contract as to exclude petitioner and deprive it of its substantial rights and interests therein and to the use thereof to enforce its meritorious case, which would be jeopardized or destroyed by the means of intervention in a manner not only without precedence, but in violation of all settled substantive and procedural principles.

What if the District Court orders petitioner not to obey its own disclosure orders?

This is not only a possibility but a foreseeable probability, since the Court of Appeals *necessarily* held that respondent, *in seeking precisely that relief*, stated the requisite "good cause upon which relief can be granted."

If so, which order is petitioner to obey? The first order directing disclosure? Or the last directing it not to obey the first? And in either event what is the inevitable result to petitioner? Clearly the dismissal of the main action, which the District Court frequently threatened if disclosure were not made!

Note that if respondent's objective was to protect its interest in the trade secret, covered by the contract, it necessarily *had* to side with petitioner, whose dedicated and militant efforts have consistently been to prevent disclosure. It would have stood *with* petitioner in that common objective, not *against* petitioner! It would have sought relief against du Pont, which initiated the discovery proceedings in which the discovery orders were made. It would have sought relief against the disclosure

orders; it would not have conceded their validity and then sought the District Court's order preventing petitioner from complying with them!

In this most remarkable and unprecedented situation, respondent stands, backed by the Court of Appeals (on this appeal), on one side, du Pont stands, backed by the District Court (on said disclosure orders), on the other side, *both against petitioner,* which stands alone (except for the law) and which cannot, without this Court's help, escape the obvious critical consequences.

Since legal injustice, whatever else it may be, in any event, is the failure to apply the established, relevant law to a justiciable controversy, the result in this case, if the Court of Appeals' decision is permitted to stand, would be marked injustice to petitioner, since the federal rules involved, the orderly established procedure and the applicable decisions, as noted, all support its position on this appeal.

Petitioner again most urgently and respectfully prays that this Court grant certiorari in this case.

Dated: June 9, 1960.

Owen A. Bartlett, and
By A. V. Falcone,
Attorneys for Petitioner Hartley Pen Company.